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ABSTRACT

This paper reports on a study of the costs of youth unemployment in New York City. The dollar cost is measured in two ways: first, by calculating the cost of direct benefits paid by the city to unemployed 16 to 21 year olds; and second, by projecting the tax revenues and productivity that these young people would add to the city economy if they were employed. Statistics are given which show that the effective youth unemployment rate in New York City in 1982 was 40 percent. For every one thousand 20 year olds put to work, it is asserted, the city would regain $163,702 in income and sales tax and sales tax revenues. This figure, added to the direct cost of public assistance, would increase the city's income by about $1.22 million, or more than $1,200 per youth. Furthermore, a reduction of the unemployment rate to 21.9 percent for 16 to 19 year olds and 9.5 percent for 20 to 21 year olds would add almost $10 million to the city's coffers and contribute over $300 million a year to the city's economy. Twelve statistical tables are included in the report. An appendix contains a chart contrasting local unemployment rates with national unemployment rates, by race and sex. (KH)

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# YOUTH UNEMPLOYMENT IN NEW YORK CITY:

## THE COST OF DOING NOTHING

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JUNE 1983

interface

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The New York Interface Development Project, Inc., commonly called "INTERFACE," works to make New York a more effective and efficient city through a broad range of activities. Organized as a non-profit group in 1974, INTERFACE conducts research, recommends public policy, and provides training and management assistance to government and community workers to help them implement programs and improve services. Major areas of concentration have included public schools, economic and community development, employment, and social services for children, youth and families. Funding for INTERFACE work is provided by foundations, corporations, and public and voluntary agencies.

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YOUTH UNEMPLOYMENT IN NEW YORK CITY:
"The Cost of Doing Nothing"


SUMMARY

Youth unemployment is costly -- both in human terms and in real dollars and cents. In this report, INTERFACE, an independent public policy research organization, has measured the dollar cost in two ways: first, by calculating the cost of direct benefits paid by the city to unemployed 16 to 21 year olds; and second by projecting the tax revenues and productivity that these young people would add to the city's economy if they were employed. When considering financial outlays to fund programs to reduce unemployment, we cannot ignore these real costs of doing nothing. In calculating the actual cost of job training and placement programs, city policy-makers must subtract from the cost of the programs the gain to the city for each person removed from the unemployment rolls.

In New York City in 1982 the effective youth unemployment rate (including those 16 to 21 year olds who are not in the labor force but would be available for work) was 40 percent. In total, this adds up to more than 150,000 jobless young people in the city in 1982, according to INTERFACE research. And it is unlikely that these figures have changed much as a result of the 1983 upturn, since experience has shown that youth unemployment is mainly structural and does not respond to economic cycles.

The direct cost to New York City of providing public assistance benefits for these unemployed youths [including Aid to Families with Dependent Children (AFDC) and Home Relief (HR)], is over $62 million a year. This figure does not include state and federally-funded benefits, (a cost which is ultimately paid, in part, by New York City as well) or Medicaid costs.


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Youth unemployment also costs the city in lost revenues from income and sales taxes and from the general decline in productivity that results from the failure of these youths to contribute to the city's output of goods and services.

For example, for every one thousand 20 year olds put to work, the city would regain $163,702 in income and sales tax revenues. Add that to the direct cost of AFDC benefits for those one thousand youths and their children, and you have $1,216,452 added to the city coffers in the first year of their employment or more than $1,200 per youth (See Summary Charts, p. iv). Furthermore, having had a first job, youths are better able to secure subsequent jobs on their own. Our estimates are based on current levels of youth earnings, including those who are employed only part-time or irregularly at minimum wage. In future years, the return to the city would be even greater as the youths progress to better-paying positions. In addition, both the state and federal governments would substantially benefit from the increased tax revenues produced by these working youths, and much of those additional funds would be returned to New York City through revenue sharing and tax savings.

Youth employment programs need not be debits on the city's books. They can be cost-effective investments that yield substantial returns.

This report is the first step in an INTERFACE project to design a work training program for New York City in which young people work on currently funded projects of benefit to the city. Prior INTERFACE surveys of New York City employers, supported by numerous national studies, show that a youngster's first job is crucial in beginning a productive career and that the most important qualification that

employers seek in young job applicants is previous work experience or proof that a young person knows how to work. At that point full-time unsubsidized private sector employment can be a reality.

Effective employment training and work experience programs cost money. But as this paper demonstrates, doing nothing is costly, too. The annual cost to New York City for unemployed young people, not counting possible demands on the criminal justice or social service systems, is approximately $1,000 per youth. In tax revenues, alone, a reduction of the unemployment rates to 21.9 percent for 16 to 19 year olds and 9.5 percent for 20 and 21 year olds -- a reasonable level based on national trends -- would contribute almost $10 million a year to the city's coffers and pump more than $300 million a year into the city's economy. Therefore, the cost of a concerted effort to put youngsters to work will be returned through direct savings and increased tax revenues within a short period of time.

Within the next few months, INTERFACE will identify further costs of youth unemployment, including the youth burden on the police and criminal justice systems. We will also offer solutions: a model training program drawn from successful programs operating in New York today. We will propose a comprehensive effort that will include specific available jobs to provide supervised work experiences for unemployed youngsters. Funding for the program will be identified within current youth services budgets. With the city's cooperation, we believe such a program is our best hope for helping these youngsters take their first steps toward regular employment.

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## SUMMARY CHARTS

### 1. ANNUAL COST OF PUBLIC ASSISTANCE FOR UNEMPLOYED YOUTHS: NEW YORK CITY, 1982

| | NUMBER OF RECIPIENTS | TOTAL COST | NYC COST | CITY COST PER YOUTH | CITY COST PER 1,000 |
|---|---|---|---|---|---|
| 1. AFDC Household Heads | 70,123 * | $118,115,181 | $29,528,795 | $1,053* | $1,052,750 |
| 2. Home Relief Household Heads | 12,723 * | $29,097,501 | $14,548,751 | $1,281 * | $1,280,892 |
| 3. Dependent Youths | 41,812 | $71,307,929 | $18,661,737 | $446 | $446,324 |
| TOTALS | 124,658 | $218,520,611 | $62,739,283 | | |

* Including 16-21 year olds and their dependents.

### 2. ANNUAL LOSS OF CITY REVENUES FROM YOUTH UNEMPLOYMENT: NEW YORK CITY, 1982

| AGE | UNGENERATED PRODUCTIVITY/ YOUTH | UNGENERATED INCOME TAX/ YOUTH | UNGENERATED SALES TAX/ YOUTH | TOTAL TAX LOSS | |
|---|---|---|---|---|---|
| | | | | Per Youth | Per 1,000 |
| 16-17 | $1,577.45 | -0- | $51.35 | $51.35 | $51,350 |
| 18-19 | $3,813.26 | $14.78 | $107.70 | $122.48 | $122,480 |
| 20-21 | $6,232.26 | $48.26 | $115.44 | $163.70 | $163,705 |

### 3. SAMPLE SAVINGS

| | 1,000 AFDC HOUSEHOLD HEADS, AGE 20 | 1,000 HR HOUSEHOLD HEADS, AGE 18 | 1,000 DEPENDENT YOUTHS, AGE 17 |
|---|---|---|---|
| TAX GAIN | $163,702 | $122,480 | $51,350 |
| PUBLIC ASSISTANCE BENEFITS | $1,052,750 | $1,280,892 | $446,324 |
| TOTAL | $1,216,452 (or approximately $1,200/youth) | $1,403,372 (or approximately $1,400/youth) | $497,674 (or approximately $500/youth) |

## I. NUMBER OF UNEMPLOYED YOUTHS IN NEW YORK CITY, 1982

What is the extent of youth unemployment in New York City? Estimates vary, depending on the particular age group being considered and on the definition of unemployment that is used. For the purposes of this analysis, we estimate that in New York City during 1982 more than 151,000 youths, aged 16-21 years, were unemployed. "Unemployed" is defined as 1) those youths who are in the labor force and categorized as unemployed (77,013) and 2) those youths who are not in the labor force but are available for work because they are not attending school, are not ill or disabled, and do not have home responsibilities (74,513). This figure yields an effective city youth unemployment rate of 40 percent. The Appendix compares local and national unemployment rates.

A series of calculations was required to estimate the size of the unemployed youth population. (See Table 1).

1. First, youths aged 16-21 were separated into two groups: 16-19 years and 20-21 years. This was necessary because the Bureau of Labor Statistics (BLS) publishes unemployment data for 16-19 year olds and for individuals 20 years and older.

2. Second, each age group was divided into two sections: In Labor Force and Not In Labor Force.

3. For the 16-19 year old group:

   a. During the third quarter of 1982, the BLS reported that 56,000 youths aged 16-19 were unemployed, in a special report on this age group.

   b. During the third quarter of 1982, the BLS reported that 319,000 youths aged 16-19 were not in the labor force.

In order to estimate the number of NYC youths who were available for work but were not in the labor force, 1982 national distributions regarding the reason that this group was not in the labor force (published by BLS) were applied to the 319,000 NYC youths not in the labor force. This application showed that 260,623 youths were not available for work due to: school enrollment, illness or disability, or domestic responsibilities. However the remaining 58,377 youths could be assumed to have been available for work.

4. For the 20-21 year old group:

   a. The BLS does not regularly publish unemployment data for this age group. The most useful information is 1979 unpublished data on 20-24 year olds compiled for the BLS by the Bureau of the Census from its Current Population Survey, as reported by Herbert Bienstock, "Young People in the New York Labor Market," Queens College, October 1981. Therefore, all estimates of unemployment for 20 and 21 year olds are based on the experience of the 20-24 year age group. According to the 1980 Census of Population in NYC, 20 and 21 year olds represent 38.4% of the 20-24 year old group, or 231,582.

   b. <u>Unemployment in the Labor Force</u>

   Estimates for 1982 are based on 1979 trends for 20-24 year olds and 1980 population data, the most recent available. During 1979, 63.9% of this age group were members of the labor force, or 147,981 youths. Of this group 14.2% or 21,013 were unemployed.

   c. <u>Not in the Labor Force Yet Available for Work</u>

   In NYC during 1979, 36.1% of all 20-24 year olds were not in the labor force. Applying this figure to 1980 census counts shows that 83,601 youths aged 20-21 were not in the labor force. In order to estimate the number of 20-24 year olds not in the labor force yet available for work, 1982 national distributions regarding the reason that this group is not in the labor force (published by BLS) were applied to the NYC youths currently not in the labor force. This application showed that 67,465 youths not in the labor force were not available for work due to school enrollment, illness or disability, or domestic responsibilities. However, the remaining 16,136 are assumed to have been available for work.

5. Unemployed Youths 16-21

The preceeding analysis yields the following results: there were 77,013 youths (16-21) in the labor force and unemployed and 74,513 youths not in the labor force and available for work. Therefore, the total number of unemployed youths is estimated as 151,526.

TABLE 1

ESTIMATE OF YOUTH UNEMPLOYMENT IN NEW YORK CITY, 1982

| 16 - 19 Years<br>Total Population: 474,000 | | | 20-21 Years<br>Total Population: 231,582<br>(38.4% of 602,541 20-24 Year Olds) | | | |
|---|---|---|---|---|---|---|
| In Labor Force | Not in Labor Force | | In Labor Force | | Not in Labor Force | |
| Unemployed: | Total Not in Labor Force: | 319,000 | 63.9% in Labor Force: | 147,981 | 36.1% Not in Labor Force: | 83,601 |
| 56,000 | 74.2% in School: | 236,698 | 14.2% Unemployed: | 21,013 | 38.8% In School: | 32,437 |
| | 0.8% Ill or Disabled: | 2,552 | | | 3.4% Ill or Disabled: | 2,842 |
| | 6.7% Home Pesponsibilities: | 21,373 | | | 38.5% Home Responsibilities: | 32,186 |
| | Total Unavailable: | 260,623 | | | Total Unavailable: | 67,465 |
| | Total Available: | 58,377 | | | Total Available: | 16,136 |

16-21 Years

| | |
|---|---|
| Total In Labor Force and Unemployed | 77,013 |
| Total Not in Labor Force and Available for Work | 74,513 |
| Total Unemployed | 151,526 |

Sources: Labor Force data for 16-19 year olds regarding the number unemployed and the number not in the labor force from U.S. Department of Labor, Bureau of Labor Statistics, Middle Atlantic Region, News, October 27, 1982.
Data on the characteristics of youths not in the labor force from U.S. Department of Labor, Bureau of Labor Statistics, Employment and Earnings, January 1983, Table 39. Total population figure is extrapolated from BLS data and does not agree with 1980 Census.
Population data for 20-21 year olds from U.S. Department of Commerce, Bureau of the Census, 1980 Census of Population.
Data on labor force participation of 20-21 year olds is based on estimates of 20-24 year olds from Herbert Bienstock, "Young People in the New York Labor Market," Queens College City University of New York, October 1981.

## II. DIRECT COST OF YOUTH UNEMPLOYMENT: PUBLIC ASSISTANCE BENEFITS FOR YOUTHS IN NEW YORK CITY

The total cost of youth unemployment to New York City includes two kinds of costs. The first is the direct cost of public assistance benefits paid to unemployed youths and their dependents out of city coffers (not including federally and state-funded benefits). This section calculates that cost. The second kind of cost involves the revenues that those youths could be contributing to city coffers were they employed. The next section of this report analyzes these foregone revenues. In addition, for each type of cost, we have calculated the gain to the city in the first year for every thousand youths who are removed from the unemployment rolls and employed full-time at wages adequate to remove their need for public assistance. (We recognize, of course, that this will not always be the case in the first year of employment, but the gains to the city are likely to increase in subsequent years.) A final section of this report projects the total gain to the city if "full employment" were achieved, utilizing an extremely conservative measure of full employment that takes into account the traditional difficulties of employing 16 to 21 year olds.

In 1982, the total cost of providing two major categories of public assistance benefits -- Aid to Families with Dependent Children and Home Relief -- to city residents aged 16 to 21 (including those who are household heads and their dependents and those who are the dependent children of welfare recipients) came to more than $218 million. New York City's share of this cost was approximately $63

million. (The federal government funds half the cost of AFDC, and New York State and City share the remainder equally. Home Relief costs are split evenly between the state and the city.)

The estimate of public assistance costs does not include two other assistance programs -- Medicaid and Food Stamps. The Food Stamps program is funded entirely by the federal government, and thus represents no direct cost in the city budget. We have not included Medicaid because the 1982 cost (more than $4 million for New York City) may not be indicative of future costs as New York State has increased its share of Medicaid costs and may continue to do so in the future. At this writing, this issue has not been resolved in the State Legislature.

A. Cost of AFDC Household Heads Aged 16-21

During 1982, there were 28,621 AFDC recipient households headed by youths, aged 16-21, of whom 28,049 are unemployed. (See Table 2). These households, on average, include the household head and 1.5 children or about 42,000 children. Therefore, in total, there are 70,123 AFDC household heads 21 years and younger and their dependents.

The average yearly payment per AFDC recipient (including the basic grant and the shelter allowance) in 1982 was $1,684.40. The annual cost of providing this benefit level to the 70,123 recipients identified above is over $118 million. New York City finances 25% of the total cost of AFDC, or in this case over $29 million.

For every one thousand youths who are heads of households currently receiving AFDC who gain full-time employment and are removed from public assistance rolls, the city would save $1,052,750.

B. Cost of Home Relief

During 1982, there were 11,578 Home Relief (HR) cases headed by youths, aged 16-21 (See Table 2). Since 1.9% of these recipients are employed, cost estimates will be based on the 98.1% who are unemployed: 11,358.

The majority of HR recipients are singles (91.1%); 1,011 are family cases. The mean number of children in HR family cases in NYC is 1.35. Therefore, in 1982 there were approximately 1,365 children. In sum, 12,723 youthful household heads and their dependents received HR in 1982.

The average yearly payment per HR recipient (including the basic grant and the shelter allowance) in 1982 was $2,287. The annual cost of providing this benefit level to the 12,723 recipients identified above is over $29 million. New York City finances 50% of the total cost of HR, or in this case over $14.5 million.

For every one thousand youths who are heads of households currently receiving Home Relief who gain full-time employment, the city would save $1,280,892.

C. Cost of Dependent Children

In addition to household heads and their dependents, there are youths aged 16-20 who are the dependent children of AFDC or HR household heads, and thus entitled to aid.

As shown in Table 3, during 1982 there were 40,352 such youths in the AFDC program and 1,460 such HR recipients in New York City. In 1982, the total cost of providing benefits (basic grant and shelter allowance) to these youths was over $71 million. New York

City financed 26% or almost $18.7 million. If these youngsters were adequately employed, benefits to their families could be reduced. For every one thousand dependent youths who gain full-time employment, the city would save $446,325.

Table 4 summarizes the annual cost of public assistance benefits to unemployed youths. The total cost of providing benefits in 1982 to the 124,658 public assistance recipients, aged 16-21, is estimated at over $218 million. New York City directly financed almost $63 million of this total.

## TABLE 2

### ESTIMATED COST OF PUBLIC ASSISTANCE BENEFITS FOR YOUTHFUL HOUSEHOLD HEADS AND DEPENDENTS, 1982

1. Aid to Families with Dependent Children, 1982

| | | | |
|---|---|---|---|
| Household Heads 16-21 years | 28,621 | | |
| Unemployed Heads 98% | | 28,049 | |
| Average Number of Children Per Head 16-21: 1.5 | | | |
| Total Children | | 42,074 | |
| Total Recipients | | | 70,123 |
| Average Yearly Payment/Recipient $1,684.40 | | | |
| Total Cost = (Annual Payment) (# of Recipients) | | $118,115,181 | |
| New York City Portion (25%) | | | $29,528,795 |

2. Home Relief, 1982

| | | | |
|---|---|---|---|
| Household Heads 16-21 years | 11,578 | | |
| Unemployed Heads - 98.1% | 11,358 | | |
| 91.1% are single | | 10,347 | |
| 8.9% are family cases | | 1,011 | |
| In family cases there are 1.35 children | | | |
| Therefore there are: | | 1,365 children | |
| Total Recipients | | | 12,723 |
| Average Yearly Payment/Recipient $2,287 | | | |
| Total Cost = (Annual Payment) (# of Recipients) | | $29,097,501 | |
| New York City Portion (50%) | | | $14,548,751 |

Sources for Table 2:

- Number of AFDC and HR Household heads (16-20 years of age) from New York City Human Resources Administration, Quarterly Public Assistance Report, October-December 1981, December 1982. Number of 21 year old HR household heads estimated by first calculating the number of 20-24 year old HR household heads, based on age distributions provided by New York State Department of Social Services, unpublished data from 1979 Characteristics Survey.
  Second, this percentage was applied to the total HR caseload, provided by NYC Human Resources Administration, unpublished data for November 1982.
  Third, the number of 21 year olds in the agroup was estimated by applying age distributions in NYC provided by U.S. Department of Commerce, Bureau of the Census, 1980 Census of Population and Housing.

- Number of 21 year old AFDC household heads estimated by first calculating the number of 20-24 year old AFDC household heads, based on age distributions provided by New York City Human Resources Administration, Office of Policy and Economic Research, Trends in the Characteristics of AFDC Families in New York City: 1969-1979, November 1981.
  Second, this distribution was applied to the total caseload provided by New York City Human Resources Administration, unpublished data for November 1982.
  Third, the number of 21 year olds was estimated from the number of 20 and 21 year olds based on age distributions from U.S. Department of Commerce, Bureau of the Census, 1980 Census of Population and Housing.

- Employment data for AFDC recipients from New York City Human Resources Administration, Quarterly Public Assistance Report for January-March 1982, August 1982.

  Employment data and number of children for HR recipients from New York State Department of Social Services, unpublished data from 1979 Characteristic Survey.

- Number of children for AFDC recipients from Trends in the Characteristics of AFDC Families, op cit.

- Annual payment per recipient based on average monthly payment per recipient for January to June 1982, from New York State Department of Social Services, Social Statistics, Volume XXXIV, No. 6, December 20, 1982.

## TABLE 3

### ESTIMATED COST OF PUBLIC ASSISTANCE BENEFITS FOR DEPENDENT YOUTHS, 1982

| | | | |
|---|---|---|---|
| **AFDC** | | | |
| Youths 16-20 | 40,252 | | |
| Annual Payment/Recipient | | $1,684.40 | |
| Total Cost | | | $67,968,909 |
| New York City Portion | | | $16,992,227 |
| **HR** | | | |
| Youths 16-20 | 1,460 | | |
| Annual Payment/Recipient | | $2,287 | |
| Total Cost | | | $3,339,020 |
| New York City Portion | | | $1,669,510 |
| **Total Cost** | | | |
| AFDC and HR | | | $71,307,929 |
| NYC Portion | | | $18,661,737 |

Sources: Number of dependent youths from New York City Human Resources Administration, Quarterly Public Assistance Report for October-December, 1981, December 1982. Annual payment per recipient based on average monthly payment per recipient for January to June 1982, from New York State Department of Social Services, Social Statistics, Volume XXXIV, No. 6, December 20, 1982.

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## TABLE 4

### ANNUAL COST OF PUBLIC ASSISTANCE BENEFITS TO UNEMPLOYED YOUTHS AND DEPENDENTS

| | NUMBER OF RECIPIENTS | AVERAGE ANNUAL BENEFIT | TOTAL COST | NYC COST | CITY SAVINGS PER THOUSAND |
|---|---|---|---|---|---|
| AFDC HOUSEHOLD HEADS | 70,123 [a] | $1,684.40 | $118,115,131 | $29,528,795 | $1,052,750 [a] |
| HR HOUSEHOLD HEADS | 12,723 [a] | $2,287.00 | $29,097,501 | $14,548,751 | $1,280,892 [a] |
| AFDC & HR DEPENDENT YOUTHS | 41,812 | $1,705.44 [b] | $71,307,929 | $18,661,737 | $446,325 |
| TOTALS | 124,658 | - | $218,520,611 | $62,739,283 | |

[a] Includes dependent children.

[b] Average includes HR and AFDC benefits.

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## III. UNGENERATED REVENUES BECAUSE OF YOUTH UNEMPLOYMENT, NEW YORK CITY, 1982

### A. Annual Earnings of Youth in New York City: 1982

The amount of taxes a worker contributes is roughly proportional to the wages he or she earns. This is true not only for taxes based directly on income, but also for other taxes, such as sales taxes. In addition, those who earn more tend to create a greater demand for goods and services, thus indirectly contributing to the economy as well. Therefore, to estimate the revenues lost to the city because of youth unemployment, it is neccessary to calculate the expected earnings of youths if they were employed.

The best basis for such a projection is the average annual current earnings of working youths. We must recognize however, that this figure is going to be depressed because youths traditionally, even when they are working, are under-employed. Not only do they hold the lowest paying jobs, but they are often employed only part-time or irregularly. A person who worked only a a few months in any year will show a very low annual income in any data collected.

The annual earnings of youth in New York City depend on a number of factors: the hourly wage rate, the number of hours worked per week, and the number of weeks worked per year. According to U.S. Department of Labor data derived from special tabulations from the Survey of Income and Education (SIE)*, these factors vary by age.

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* "Research on Youth Employment and Employability Development, The Labor Market Experience of 14-21 Year Olds" in Youth Knowledge Development, May 1980.
The experience of NYC youths may not be exactly the same as youths nationally; however, appropriate and useful data for New York City are not available. In addition, the data, which are for 1975, while not particularly current, are the best and most current data available.

Assuming that the experience of New York City youths is similar to the experiences of youths nationally, annual earnings of New York City youths can be estimated, and updated. As shown in Table 5, hourly wage rates range from $3.35 for youths aged 16 and 17 (based on the 1982 minimum wage rate), to $4.20 for the 18-19 year old group and $4.92 for those youths aged 20 and 21.

The number of hours worked per week and weeks worked per year, by age group, are also shown in Table 5. These figures are based on the average experience of youth in their appropriate age group, from the same source.

Based on these data the annual earnings of youths in the three age groups were estimated. As shown in Table 5, the annual earnings of NYC youth are: $1,577.45 for 16-17 year olds, $3,813.26 for 18-19 year olds, and $6,232.26 for 20-21 year olds.

In addition to the direct revenues that these earnings would generate through income and sales taxes (see sections B and C following) annual earnings can be translated into a measure of productivity that workers contribute to the economy both through increases in output of goods and services and through increases in the demand for goods and services. Therefore the unrealized annual productivity from youth unemployment is $1,577,450 for a thousand unemployed 16 to 17 year olds, $3,813,260 for 18 to 19 year olds, and $6,232,260 for 20 to 21 year olds.

TABLE 5

ANNUAL EARNINGS OF YOUTH IN NEW YORK CITY: 1982

| | Hourly Wage Rate | Hours Worked/ Week | Weeks Worked/ Year | Annual Earnings/ Productivity |
|---|---|---|---|---|
| 16-17 | $3.35 | 21.6 | 21.8 | $1,577.45 |
| 18-19 | 4.20 | 31.2 | 29.1 | 3,813.26 |
| 20-21 | 4.92 | 36.4 | 34.8 | 6,232.26 |

Sources: Hourly Wage Rate - The age groupings and actual wage rates are based on national data from special tabulations of the Survey of Income and Education (SIE) as reported in U.S. Department of Labor, "Research on Youth Employment and Employability Development, The Labor Market Experience of of 14-21 Year Olds," Youth Knowledge Development, Report 2-6, May 1980, Table 900. These tabulations show that 16 and 17 year olds, on the average, are employed at the same wage rate. Since these youths are relatively new labor market entrants, it is assumed that they are employed at the minimum wage of $3.35. The SIE further showed that youths aged 18 and 19 earn 25.36% more than youths 16 and 17 years of age. Youths aged 20 and 21 earn 17-18% more than the 18 and 19 year old group. These findings were applied to the 16-17 year old wage rate of $3.35 in order to calculate the wage rates of the older youths.

Hours Worked Per Week and Weeks Worked Per Year - Based on the experience of youths nationally, the average number of hours worked per week and weeks worked per year, by age group, are from special tabulations of the Survey of Income and Education, Youth Knowledge Development, op. cit., Tables 700 and 800.

## B. Ungenerated New York City Personal Income Tax Revenue Due to Youth Unemployment in 1982

When young people are employed, the city begins to realize income tax revenues from their earnings. Since personal income tax rates depend upon family composition, we have grouped working youths as single individuals, parents, or married couples without children. For those categorized as parents, the number of children was estimated. This was not performed for the 16-17 year old group, because, regardless of family composition, youths with annual earnings of $1,577 would not be subject to personal income tax. Table 6 shows the marital status and living arrangements of NYC youths 18-21, based on national patterns.

The distribution of these youths by marital status and living arrangement are transferred onto Table 7, where the amount of ungenerated NYC personal income tax revenue is estimated. For each youth, depending upon family composition, the amount of NYC personal income tax that would have been paid was estimated using 1982 NYC Income Tax Schedules, assuming no other outside income, taking the standard deduction.

As mentioned previously, the average 16-17 year old would not make any NYC personal income tax payments. Eighteen to nineteen year olds would pay up to $16 a year each, depending on marital status, for their average earnings. A representative group of one thousand eighteen to nineteen year olds (weighted to reflect the distribution of the population's marital status) would pay $14,784 a year in income taxes to New York City.

Each 20 to 21 year old would pay between $31.85 and $54.00 a year in city income taxes, based on average earnings, or $48,263 for a sample of a thousand youths.

TABLE 6

MARITAL STATUS AND LIVING ARRANGEMENTS OF UNEMPLOYED YOUTHS[a] IN NEW YORK CITY, 1982 (UNDER FULL EMPLOYMENT)

| | 18-19 | 20-21 |
|---|---|---|
| Single Individuals[b] | 89.3% | 62.0% |
| Parent with One Child[c] | 7.6% | 25.9% |
| Married Couple, No Children | 3.1% | 12.1% |

Notes:

a) Excludes 16 and 17 year olds, who, on average, do not pay income taxes because of low earnings.

b) Includes: Dependent children, single household heads and widowed, separated, divorced household heads with no children.

c) The median number of children born to youthful parents 18-19 and 20-21 years of age is one.

Sources: Marital Status and Living Arrangements are author's estimates based on national metropolitan patterns in 1981 of 15-19 year olds and 20-24 year olds from U.S. Department of Commerce, Bureau of the Census, Current Population Reports, Population Characteristics, Marital Status and Living Arrangements: March 1981, Series P-20, No. 372, June 1982, Tables 1,2,6. Number of children born based on national patterns of youthful women from U.S. Department of Commerce, Bureau of the Census, Current Population Reports, Population Characteristics, Fertility of American Women: June 1980, Series P-20, No. 375, Table 12.

TABLE 7

UNGENERATED NEW YORK CITY PERSONAL INCOME TAX REVENUE
DUE TO YOUTH UNEMPLOYMENT: 1982

| | Potential Annual Earnings | Ungenerated NYC Tax Payments/ Youth | Weighted Sample of 1,000 | Total Ungenerated NYC Tax Payments Per 1,000 Youth |
|---|---|---|---|---|
| 16-17 Years[a,b] | $1,577.45 | 0 | - | - |
| 18-19 Years[b] | 3,813.26 | - | 1,000 | $14,784 |
| Single Individuals[c] | 3,813.26 | $16.00 | 893 | 14,288 |
| Parent (one child) | 3,813.26 | 0 | 76 | 0 |
| Married Couple (no children) | 3,813.26 | 16.00 | 31 | 496 |
| 20-21 Years | 6,232.26 | - | 1,000 | 48,263 |
| Single Individuals[c] | 6,232.26 | 54.00 | 620 | 33,480 |
| Parent (one child) | 6,232.26 | 31.85 | 259 | 8,249 |
| Married Couple (no children) | 6,232.26 | 54.00 | 121 | 6,534 |

Source: Amount of ungenerated NYC personal income tax payments per youth were calculated using 1982 NYC Income Tax schedules, assuming no other outside income, taking the standard deduction.

Notes:

a) Regardless of family composition or marital status, youths aged 16-17, earning $1,577.45 per year would not owe any NYC personal income tax.

b) The 16-19 year old group is divided into two age groups here: 16-17 and 18-19 years, based on age distributions from the 1980 Census of Housing and Population which shows that in NYC 16-17 year olds comprise 48.6 percent of all 16-19 year olds and 18 and 19 year olds represent 51.4 percent of all 16-19 year olds.

c) Includes dependent children, single household heads and widowed, separated, divorced household heads with no children.

C. Ungenerated New York City Sales Tax Revenues

New York City sales tax revenue is generated through the individual purchase of consumption items. When people are working, they have money to make purchases, which are subject to the four percent NYC sales tax.

The Consumer Expenditure Survey estimates the percentage of annual income that is typically subject to sales tax, for families residing in cities at various income levels. These data were used to estimate the sales tax paid by youths who are "non-dependents," that is household heads, parents, or married individuals. As shown in Table 8, the percentage of annual income subject to sales tax for non-dependent youths ranges from 28.1 percent for youths aged 20 and 21 to 31.6 percent for youths 16 to 19 years of age. Since we have previously estimated annual earnings of these groups, we can apply the above percentage to determine the amount of annual income that is subject to sales tax and the sales taxes paid. The amount of sales tax that could have been generated from each non-dependent youthful worker ranges from $19.94 (for 16-17 year olds) to $48.20 (18-19 year olds) and $70.05 (for 20-21 year olds).

Dependent youths typically do not spend as much of their income on food at home and housing costs, since these are often provided for them. For dependent youths this estimate is based on the assumption that all income not expended on personal income taxes, transportation and a contribution toward food at home and housing is spent on consumption items subject to sales tax. As shown in Note b on Table 8, the percent of income that would be required to

finance personal income tax payments for each group was calculated. Transportation costs are also included here, based on the Consumer Expenditure Survey. It was assumed that non-dependent youths would contribute 10 percent of their income to such non-taxable costs as food at home and housing. The remaining portion of income was assumed to be subject to sales tax. Then the same calculations described for the non-dependent youths were performed, yielding the following results: the amount of ungenerated sales tax from each dependent youth ranged from $53.07 for the youngest group to $180.49 for the oldest group.

Finally, we have calculated the ungenerated New York City sales tax for one thousand youths in each age category, weighted to reflect the distribution of dependent and non-dependent youths in the population. The annual loss to the city is $51,350 for every thousand unemployed 16 to 17 year olds, $107,695 for the 18 to 19 year olds, and $115,442 for the 20 to 21 year olds.

Table 9 summarizes the annual loss to the city in ungenerated productivity and tax revenues per unemployed youth and for each thousand youths in each age category. The total tax revenues gained from employing 1,000 youths ranges from $51,530 per year for the youngest group to $163,705 for the oldest group.

TABLE 8

UNGENERATED NEW YORK CITY SALES TAX REVENUES
DUE TO YOUTH UNEMPLOYMENT: 1982

| | 1 Annual Income | 2 % Income Subject to Sales Tax | 3 Amount Subject to Sales Tax (1x2) | 4 NYC Sales Tax | 5 Ungenerated Sales Tax Revenue (3x4) | 6 Mean Ungenerated Sales Tax Per Individual Youth | 7 Ungenerated Sales Tax Per 1,000 Youth (5x6) |
|---|---|---|---|---|---|---|---|
| 16-17 Year Olds | | | | | | | |
| Dependents[a] | $1,577.45 | 84.1%[b] | $1,326.64 | 4% | $ 53.07 | $ 51.35 | $ 51,350 |
| Non-dependents[a] | 1,577.45 | 31.6 | 498.47 | 4 | 19.94 | | |
| 18-19 Year Olds | | | | | | | |
| Dependents[a] | 3,813.26 | 81.1 [b] | 3,092.55 | 4 | 123.70 | $107.70 | $107,695 |
| Non-dependents[a] | 3,813.26 | 31.6 | 1,204.99 | 4 | 48.20 | | |
| 20-21 Year Olds | | | | | | | |
| Dependents[a] | 6,232.26 | 72.4 [b] | 4,512.16 | 4 | 180.49 | $115.44 | $115,442 |
| Non-dependents[a] | 6,232.26 | 28.1 | 1,751.27 | 4 | 70.05 | | |
| Total | - | - | - | | - | | $7,919,021 |

Sources: Annual income of youths, see Table 5. For number of youths, see Note a. Percent of income subject to sales tax: for non-dependent youths from U.S. Department of Labor, Bureau of Labor Statistics, 1972-1973 Consumer Expenditure Survey, updated in 1979 using Consumer Price Index and change in Income Data; for dependent youths, see Note b.

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Notes to Table 8:

a) "Dependents" include all youths who are not household heads, parents, or married individuals. "Non-dependents" include all youths who are household heads, parents, or married individuals. These distributions are based on national metropolitan patterns from Marital Status and Living Arrangements: March 1981, op. cit.

b) The percent of dependent youths' income subject to sales tax are author's estimates based on the assumption that all income, except that expended on personal income taxes, transportation, food at home and housing costs, is spent on consumption items.

| | 16-17 Years % of Annual Income | 18-19 Years % of Annual Income | 20-21 Years % of Annual Income |
|---|---|---|---|
| Non-Taxable Items: | | | |
| Personal Income Taxes | 0 | 3.0% | 9.3% |
| Federal | 0 | 1.6 | 6.5 |
| NY State | 0 | 1.0 | 1.9 |
| NY City | 0 | .4 | .9 |
| Transportation | 5.9% | 5.9 | 8.3 |
| Food at home & housing | 10 | 10 | 10 |
| Total non-taxable consumption | 15.9 | 18.9 | 27.6 |
| Taxable consumption | 84.1 | 81.1 | 72.4 |

The percent of income spent on personal income taxes is based on income levels shown on Table 5. Transportation expenses based on the Consumer Expenditure Survey. Food at home and rent: non-dependent youths expend about 61% of gross yearly earnings on food at home and housing costs. Dependent youths usually are provided for in these areas. However, some youths do assist the household head in these areas. Therefore, for purposes of this analysis, it is assumed that all youths spend 10% of their annual earnings for food at home and rent. Since we assume that the remaining income is expended on consumption items, it follows that youths spend between 72.4% and 84.1% on taxable consumption, as shown above.

TABLE 9

ANNUAL LOSS OF CITY REVENUES FROM YOUTH UNEMPLOYMENT IN NEW YORK CITY

| | Ungenerated Earnings or Productivity | | Ungenerated Personal Income Tax | | Ungenerated Sales Tax | | Total Tax Loss | |
|---|---|---|---|---|---|---|---|---|
| | Per Youth | Per 1,000 Youths | Per Youth | Per 1,000 Youths | Per Youth | Per 1,000 Youths | Per Youth | Per 1,000 Youths |
| 16-17 Year Olds | $1,577.45 | $1,577,450 | 0 | 0 | $51.35 | $51,350 | $51.35 | $51,350 |
| 18-19 Year Olds | $3,813.26 | $3,813,260 | $14.78* | $14,784 | $107.70* | $107,695 | $122.48 | $122,480 |
| 20-21 Year Olds | $6,232.26 | $6,232,260 | $48.26* | $48,263 | $115.44* | $115,442 | $163.70 | $163,705 |

* Since the amount of ungenerated personal income tax revenue and sales tax revenue varies within each age group by family composition, the mean amount of ungenerated revenue was calculated for each age group, based on figures provided in Table 7.

## IV. "FULL EMPLOYMENT" OF YOUTHS IN NEW YORK CITY

### A. Defining "Full Employment" for Youths in New York City

Our estimates, as described at the beginning of this report, show that 151,526 youths were unemployed in New York City in 1982. Any further estimates of the the gains to be realized from putting these youth to work should be based on the size of the pool of youths that could be gainfully employed. Although it may be desirable to employ all of the youths currently unemployed, some level of "acceptable" unemployment exists, due to labor turnover, changes in the composition of the labor force or job opportunities. This concept, known as "full employment," has recently been defined at the national level at six percent. However, the nature of youth employment differs significantly from that of the general population since it is associated with shorter than average job tenure, movement between work and school or part-time and full-time employment, and the search for a career. These factors contribute to the high rate of job turnover associated with youth employment. Therefore, it is reasonable to accept a higher level of unemployment for youth than for the general population.

What is the level of full employment for New York City youths? A conservative estimate can be based on full youth employment on the national level over time. Although the national level of youth unemployment is not ideal, it is better than New York City's. Therefore, a longitudinal comparison between national and local unemployment rates was conducted. Since unemployment rates for

16-19 year olds and 20 and 21 year olds are different, separate comparisons were conducted for each group.

For the 16-19 year old group, annual rates of unemployment nationally and locally were available from 1968 through 1981 and the first nine months of 1982. The average percent difference between the local rate and the national rate for this group from 1968 to 1982 was calculated at 38.5 percent. Assuming that full employment is based on national performance, this average difference between local and national unemployment can be applied to the current level of local unemployment for 16-19 year olds (30.3%*) to yield a national full-employment goal of 21.9 percent. Therefore, for purposes of this analysis, we will assume that full employment is reached if the unemployment rate of 16-19 year olds in New York City does not exceed 21.9 percent.

For the 20 and 21 year old group, the same procedure was used based on unemployment rates of 20-24 year olds. However, both national and local data were available for this group for only the years 1974, 1976, 1978 and 1979. This comparison showed that the average percent difference between unemployment rates in New York City and the United States is 48.4 percent. Applying this figure to the rate of unemployment for 20-24 year old New Yorkers during 1979 (the most recent data available) of 14.2 percent yields an unemployment rate of 9.5 percent. Therefore, for the 20 and 21 year olds, acceptable unemployment is 9.5 percent.

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* Based on unpublished BLS data for January to September, 1982.

B. The Pool of Additional Workers Under Full Employment

Our calculations of the cost of youth unemployment in New York City or the value of employing those youths currently unemployed can now be based on the number of youths that potentially could be employed, using the full employment rates set in the previous section, (21.9 percent unemployment for 16-19 year olds and 9.5 percent for 20 and 21 year olds). In order to estimate the number of additional youthful workers under full employment we treated the population of 16-21 year olds as two groups: 16-19 year olds and 20 and 21 year olds. Each of these groups was further divided into: members of the labor force and those not in the labor force (see Table 10).

16-19 Year Olds

Previous estimates showed that during 1982 in New York City, 56,000 of the 155,000 member 16 to 19 year old labor force members were unemployed. If full employment were attained, then only 21.9 percent of these youths would be unemployed. Under this assumption, the number of unemployed youths would be reduced from 56,000 to 33,945. Therefore, an additional 22,055 youths in this group would be employed.

In New York City during 1982, there were 58,377 16 to 19 year olds not in the labor force but available for work. The achievement of full employment for this group would result in unemployment of only 12,785 of these youths, while 45,592 of these youths would be employed. Therefore, under full employment, an additional 67,647 youths 16-19 years of age would be employed.

20 and 21 Year Olds

Previous estimates showed that during 1982 in New York City, 21,013 of the 147,981 20 to 21 year old labor force members were unemployed. If full employment were attained, then only 9.5 percent of these youths would be unemployed. Under this assumption, the number of unemployed youths would be reduced to 14,058. Therefore, an additional 6,955 youths in this group would be employed.

During the same time, there were 16,136 20 to 21 year olds not in the labor force, but available for work. The achievement of full employment for this group would result in employment of 14,603 of these youths. Therefore, under full employment, an additional 21,558 youths 20 and 21 years old would be employed.

Summary

Under full employment, we would expect to employ an additional 89,205 youths 16-21 years of age. Within this group, 29,010 youths are labor force members and 60,195 are not current members of the labor force, but are available for work.

## TABLE 10

### NUMBER OF ADDITIONAL YOUTHFUL WORKERS UNDER "FULL EMPLOYMENT"

#### 16-19 Year Olds

Assumption: Full employment is reached if unemployment is at 21.9%.

| In Labor Force | | Not In Labor Force | |
|---|---|---|---|
| Total 16-19 in Labor Force | 155,000 | Available for Work | 58,377 |
| Currently unemployed | 56,000 | | |
| If unemployment is 21.9%: | | If unemployment is 21.9%: | |
| # working - | 121,055 | | |
| # unemployed - | 33,945 | # unemployed - | 12,785 |
| # additional new workers - | 22,055 | # additional new workers - | 45,592 |

#### 20 and 21 Year Olds

Assumption: Full employment is reached if unemployment is at 9.5%.

| In Labor Force | | Not In Labor Force | |
|---|---|---|---|
| Total 20 and 21 in Labor Force | 147,981 | Available for Work | 16,136 |
| Currently unemployed | 21,013 | | |
| If unemployment is 9.5%: | | If unemployment is 9.5%: | |
| # working - | 133,923 | | |
| # unemployed - | 14,058 | # unemployed - | 1,533 |
| # additional new workers - | 6,955 | # additional new workers - | 14,603 |

#### Summary of Additional Workers Under Full Employment

| | 16-19 | 20-21 | Total |
|---|---|---|---|
| In Labor Force | 22,055 | 6,955 | 29,010 |
| Not in Labor Force | 45,592 | 14,603 | 60,195 |
| Total | 67,647 | 21,558 | 89,205 |

Sources: For Employment data, see Table 1.

## V. GAINS FROM FULL YOUTH EMPLOYMENT

### A. Potential Additional City Revenues Based on "Full" Youth Employment

We have previously demonstrated that putting youngsters to work saves the city millions of dollars in direct benefits. Beyond this saving, the city would also realize additional tax revenues from employing youths.

How much money would the city gain under "full" youth employment? We can apply the information on ungenerated New York City personal income and sales taxes and productivity to the additional 89,205 youths, 16 to 21 years old, which we have identified as potential workers under full employment.

Previously, the number of additional workers and the value of their annual earnings were estimated. However, these youths were divided into two age groups: 16-19 and 20-21. Since annual earnings were estimated for three groups: 16-17, 18-19, and 20-21, we must divide the additional potential workers into these three groups. The 20-21 year old group has already been estimated as numbering 21,558 youths. The 16-19 year old group, estimated at 67,647 must be sub-divided into 16 and 17 year olds and 18 and 19 year olds. Based on data for New York City from the 1980 Census of Population and Housing, these age groups represent 48.6 percent and 51.4 percent of all 16-19 year olds respectively. Therefore, there are 32,876 youths aged 16-17 years old and 34,771 youths aged 18-19.

Using the data derived for Tables 5, 7, and 8 on lost productivity and tax revenues, we can estimate that under "full" youth employment,

New York City would receive an additional $1,554,516 in personal income tax and $7,921,375 in sales tax each year based on average earnings for this age group. These 89,000 young people would also add $318,675,293 annually to the city's productivity (see Table 11).

These estimates, like the others in this report, are based on first year earnings only, at entry level pay and with less than full-time work. The gains to the city in subsequent years would be significantly greater as these youths move into better paying jobs.

## TABLE 11

### TOTAL ANNUAL BENEFITS TO NEW YORK CITY OF "FULL" YOUTH EMPLOYMENT*

| Age | Number of Youth[a,b] | Potential NYC Personal Income Tax Payments [a] | Potential NYC Sales Tax[b] | Potential Productivity[c] |
|---|---|---|---|---|
| 16-17 years | 32,876 | | $1,688,077 | $51,860,246 |
| Dependents | 31,166 | - | $1,653,980 | |
| Non-dependents[a] | 1,710 | - | 34,097 | |
| 18-19 years | 34,771 | $514,048 | $3,744,662 | $132,590,863 |
| Single Individuals | 31,050 | $496,800 | - | - |
| Parent (one child) | 2,643 | - | - | - |
| Married Couple (no children) | 1,078 | 17,248 | - | - |
| Dependents | 27,400 | - | $3,389,380 | - |
| Non-dependents | 7,371 | - | 355,282 | - |
| 20-21 Years | 21,558 | $1,040,468 | $2,488,636 | $134,224,184 |
| Single Individuals | 13,366 | $721,764 | - | - |
| Parent (one child) | 5,583 | $177,818 | - | - |
| Married Couple (no children) | 2,609 | 140,886 | - | - |
| Dependents | 8,860 | - | $1,599,141 | |
| Non-dependents | 12,698 | - | $ 889,495 | |
| TOTAL 16-21 | 89,205 | $1,554,516 | $7,921,375 | $318,675,293 |

* "Full" Youth Employment, based on historical trends is estimated at 21.9% for 16-19 year olds and 9.5% for 20-21 year olds (see page 25).

[a] See Table 7.
[b] See Table 8.
[c] See Table 5.

B. Potential Effect of Full Youth Employment on New York City Economy

In New York City during 1982, the Gross City Product, which is an estimate of output based on aggregate personal income, was $124 billion. If full youth employment had been achieved during that year, an additional $319 million would have been included in the Gross City Product. This would have served to increase this measure by .0025 percent.

TABLE 12

Potential Effect of Full Youth Employment on New York City Economy: 1982

| | |
|---|---|
| Gross City Product, 1982: | $124 billion |
| Potential Total Youth Earnings: | $318,675,293 |
| Potential Increase to Gross City Product: | .0025% |

Source: Gross City Product from City of New York, Mayor's Office of Management and Budget.

## APPENDIX

### LOCAL UNEMPLOYMENT RATES VERSUS NATIONAL UNEMPLOYMENT RATES, BY RACE & SEX

| | NYC | U.S. |
|---|---|---|
| | 1979 | 1980 |
| 16-19 Year Olds | | |
| All Youths | 23.8 | 17.7 |
| White | 20.4 | 14.8 |
| Black and Other | 36.3 | 35.8 |
| Male | 25.9 | 18.2 |
| Female | 21.9 | 17.2 |
| 20-24 Year Olds | | |
| All Youths | 15.5 | 11.5 |
| White | 12.2 | 9.9 |
| Black and Other | 23.0 | 22.1 |
| Male | 17.2 | 12.5 |
| Female | 12.8 | 10.3 |

Sources: National data from U.S. Department of Labor, Bureau of Labor Statistics, Employment and Earnings, Volume 28, No. 1, January 1981. Local data from Herbert Bienstock, op cit.